MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BAC1624 – MANAGEMENT ACCOUNTING 1

(All Sections/Groups)

14 MARCH 2020
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FIVE** pages (excluding cover page) with **FIVE** questions only.

2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Write your answers and workings in the Answer Booklet provided.

QUESTION 1

BTS Sdn. Bhd. uses a job order costing system at its Melaka plant. The plant has two departments to manufacture specialised equipment for farming: a machining department and an assembly department. The 2020 budget for the Melaka plant is as follows:

	Machining Department	Assembly Department
Manufacturing overhead	RM1,800,000	RM3,600,000
Direct material	RM1,000,000	RM5,000,000
Direct labour cost (DLC)	RM1,400,000	RM2,000,000
Direct labour hours (DLH)	100,000	200,000
Machine-hours (MH)	50,000	200,000

The machining department overhead is allocated to jobs based on machine hours (MH) and the assembly department overhead is allocated to jobs on direct labour costs (DLC).

Production and cost data for March 2020 are as follows:

Jobs	Beg. Balance	Direct Materials	Direct Labour
	RM	RM	RM
A100	143,000	5,000	10,000
B100	-	39,000	25,000
C100	-	30,000	20,000

Jobs	Direct labour hours (DLH)		Machine-hours (MH)	
	Machining	Assembly	Machining	Assembly
A100	250	100	100	250
B100	800	950	1,200	1,000
C100	500	2,000	650	1,500

All jobs are expected to be completed at the end of March 2020. Only Job A100 will be sold immediately upon completion.

Required:

a) Calculate the predetermined overhead rate (POHR) of each department.

(2 marks)

b) Journalise the assignment of costs to production in March 2020.

(11 marks)

c) What is the balance in the Finished Goods Inventory account at the end of the month?

(7 marks)

[TOTAL 20 MARKS]

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QUESTION 2

Optima Sdn. Bhd. (OSB) designs and produces automotive parts. The manufacturer has only three regular customers: Pichu, Pikachu and Raichu. In 2019, actual manufacturing overhead is RM308,600. OSB's traditional costing system allocates its manufacturing overhead to its customers based on machine-hours and prices its output based on 120% of full costs.

One of OSB's regular customers is complaining that the production output is overpriced compared to other similar suppliers in the market. So, Deeva, OSB's financial controller realises that it is time to examine the consumption of overhead resources more closely.

The following information on the overhead costs is available:

			Usage of Cost Drivers by Customers		
Departments	**Cost Drivers**	**RM**	**Pichu**	**Pikachu**	**Raichu**
Design	Design hour (DH)	39,000	110	200	80
Production	Engineering hours (EH)	29,600	70	60	240
Engineering	Machine-hours (MH)	240,000	120	2,800	1,080
		RM308,600			

Required:

a) Determine the manufacturing overhead costs assigned to each customer in 2019 using the:

(i) traditional costing system

(4 marks)

(ii) activity-based costing system

(6 marks)

b) Comment on the comparative overhead costs assigned in requirement a).

(6 marks)

c) Which of the two costing system in a) is preferable in pricing the production outputs and why it would matter to OSB in response to its regular customer's claims?

(4 marks)

[TOTAL 20 MARKS]

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QUESTION 3

Mirasha Berhad is contemplating a major change in its pricing. Currently, there is no major competitor, however, it was rumoured that another company is considering launching a similar product. Mirasha Berhad is considering to reduce its selling price from RM50 to RM48 to beat the market competition in 2020. An additional RM1,500 in advertisement expense is budgeted to support the company's marketing efforts. This would increase sales by 20% from its existing 20,000 units. The change will have no effect on its unit variable cost of production.

Shown below is the current CVP Income Statement for the year ended 2019:

Mirasha Berhad
CVP Income Statement
For the year ended 2019

Sales	RM1,000,000
Less: Variable costs	500,000
Contribution Margin	*RM500,000*
Less: Fixed costs	290,000
Net Income	**RM210,000**

Required:

a) Prepare a new CVP Income Statement to reflect the proposed change for 2020.
(6 marks)

b) Determine the following CVP analyses for before and after the proposed change:

(i) contribution margin ratio
(2 marks)

(ii) break-even point in units and Ringgit Malaysia (RM)
(4 marks)

(iii) operating leverage
(2 marks)

c) Based on the amounts determined in a) and b), would you recommend the proposed change in price and spending on advertisement to Mirasha Berhad for 2020?
(6 marks)

[TOTAL 20 MARKS]

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QUESTION 4

Gardens is a division of Waters Asia Berhad. The division manufactures and sells a pump that is used in a wide variety of applications. During the coming month in April, it expects to sell 30,000 units for RM25 per unit. Goh Mei, the division manager, is considering producing either 30,000 or 35,000 units during the period.

The following information is available for Gardens Division:

Beginning inventory	0 units
Expected sales in units	30,000 units
Variable manufacturing cost per unit	RM7
Fixed manufacturing overhead costs (total)	RM420,000
Selling and administrative expenses (all fixed)	RM25,000

Required:

a) Prepare an absorption costing income statement with one column showing the results if 30,000 units are produced and one column showing the results if 35,000 units are produced.

(10 marks)

b) Why the net income determine in a) is different for the two production levels when sales is 30,000 units either way?

(2 marks)

c) Would the net income determined in a) be different when a variable costing income statement is prepared instead for the 30,000 units and 35,000 units produced?

(3 marks)

d) How would the difference in production and sales levels affect the net income under the following circumstances under absorption costing and variable costing:

(i) production level equals to sales level

(2 marks)

(ii) production level exceed sales level

(3 marks)

[TOTAL 20 MARKS]

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QUESTION 5

The following data pertain to the operations of Fukushima Industries Sdn. Bhd. (FISB) for the month of November 2019:

Standard materials	RM2.50 per kilogram
Actual kilogram (kg) used	2,000kg
Standard labour rate	RM10.00 per hour
Actual hours incurred	9,000 hours
Predetermine overhead rate	1 hour at RM6 per hour
Actual overhead	RM30,400

Four thousand units were manufactured in November. The standard cost card shows that 1.5 hours and 0.5 kilograms of materials are required to complete one unit of product. The actual labour rate incurred exceeded the standard labour rate by 10% and the actual materials cost is RM2.30. Sales for November 2019 was recorded at RM141,400.

Required:

a) Calculate the following variances for November:

(i) materials price variance

(2 marks)

(ii) materials quantity variance

(2 marks)

(iii) labour price variance

(2 marks)

(iv) labour quantity variance

(2 marks)

(v) total overhead variance

(2 marks)

b) Prepare an income statement for FISB.

(5 marks)

c) The production manager of FISB is new and uncertain on how to interpret and act on the variance analysis report. The manager requested you to explain the possible causes of unfavourable variances identified in a).

Provide at least TWO possible explanations for the identified unfavourable variances.

(5 marks)

[TOTAL 20 MARKS]

End of Paper.